Before the

FEDERAL COMMUNICATIONS COMMISSION

Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90

REPLY COMMENTS OF THE NEBRASKA COMPANIES

The undersigned Nebraska model-electing Companies[1] submitted comments in this proceeding on February 13, 2017.[2] The Nebraska Companies urged the Commission to allocate additional funds to rate-of-return ("RoR") carriers that have accepted and been authorized to receive model support in an amount necessary to provide up to $200 in monthly support per eligible location.

[1] Nebraska companies filing Comments and Reply Comments are the American Broadband Communications companies (Arlington Telephone Company, The Blair Telephone Company, Eastern Nebraska Telephone Company and Rock County Telephone Company); the Consolidated companies (Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., and The Curtis Telephone Company); Great Plains Communications, Inc.; and The Nebraska Central Telephone Company ("Nebraska Companies").

[2] *Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, FCC 16-178 (rel. Dec. 20, 2016) (the "Order and Further NPRM").

DISCUSSION

Nine parties[3] filed comments in the Order and Further Notice of Proposed Rulemaking ("*Further Notice*"). All parties agreed that allocating additional funding is consistent with Commission objectives and serves the public interest.[4]

The commenters generally support funding at $200 per location, which requires an additional $104[5] million in annual Alternative Connect America Model ("A-CAM") funding for those companies that elected model support.[6] This amount was oftentimes referred to as "full-funding" in other parties' comments[7] which is mistaken, as these Reply Comments will demonstrate. In addition, some parties[8] commented on the need for additional funding for ("RoR") carriers remaining on legacy support. Additional RoR legacy reforms are being addressed in a separate proceeding and thus are not germane to this *Further Notice*.

[3] Other Comments were filed by WTA – Advocates for Rural Broadband ("WTA"); United States Telecom Association ("US Telecom"); the Minnesota ACAM Group; TCA; NTCA – The Rural Broadband Association ("NTCA"); TDS Telecommunications Corp.; Adtran, Inc.; and ITTA – the Voice of Mid-Size Communications Companies ("ITTA").

[4] *See* Adtran, Inc. at p. 5.

[5] The additional support funding has generally been estimated at $110 million. Since some companies decided not to elect the final A-CAM offer the Nebraska Companies calculate the amount of additional funding required to fund $200 per location to be $104 million.

[6] If all companies that received a revised support offer had accepted the offer, then an additional $110 million would be required to fund up to $200 per location.

[7] The Minnesota ACAM Group at p. 9; Adtran, Inc. at p. 4; WTA at p 2.

[8] WTA at pp. 8–11; US Telecom at pp. 3–4; TCA at pp. 2–4; NTCA at pp. 5-10; and ITTA at pp. 6-7.

A-CAM Funding at Up to $200 per Location is not "Full Funding"

While commenters universally support increasing A-CAM funding to up to $200 a location, it is important to recognize that this level of funding is not "full funding" for all recipients under this mechanism. The highest cost-companies have costs far in excess of $200 per location. The Commission itself has recognized that $200 per location does not constitute "fully funded" model support when it instructed the Wireline Competition Bureau ("Bureau") to utilize a per-location funding cap rather than an extremely high-cost threshold applied to the price cap carriers.[9] It concluded that "…carriers will receive a significant amount of funding – specifically, $200 per month for each of the capped locations – which will permit them to maintain existing voice service and expand broadband service in these highest-cost areas to a defined number of locations depending on density."[10]

While noting a significant number of locations will not be fully funded,[11] the Nebraska Companies support an additional A-CAM budget allocation that will provide support up to $200 per location.[12] This realistic policy outcome recognizes the

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[9] *Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime*, WC Docket Nos. 10-90 *et. al*., Report and Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, FCC 16-33 (rel. March 30, 2016) ("*RoR Reform Order*"), ¶52.

[10] Id.

[11] *See* Nebraska Companies at pp. 13-15.

[12] We estimate that $366 million dollars would be required to fully fund the model for those companies that have elected to receive support under the model. This "fully funded" amount is approximately three times more than would be required to fund each location at $200.

Commission's budget limitations, while allowing for substantially more broadband buildout among A-CAM electors.[13]

The Proportional Reduction Methodology is the Proper Approach for Allocating Additional A-CAM Funding Less Than $200 per Location

In accommodating the budget shortfall due to A-CAM over-subscription in the revised offers, the Commission utilized a "proportional reduction" methodology to equitably distribute funding among companies.[14] The Commission concluded that the proportional reduction method had several benefits over other methods including broader geographic diversity in A-CAM authorizations.[15] One party proposed an alternative if the Commission provides less than $200 per location in funding,[16] but such an approach is a departure from the proportional reduction methodology adopted in the Commission Order.[17] Should additional funding be ordered but at amount less than $200 per location, the Nebraska Companies (as well as the nation's largest A-CAM elector) believe that a

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[13] Id. at pp. 8-10.

[14] *See Wireline Competition Bureau Announces Results of Rate-of-Return Carriers that Accepted Offer of Model Support*, Public Notice, 31 FCC Rcd 11966 (WCB 2016) ("*Bureau Notice*.").

[15] *See In the Matter of the Connect America Fund, Additional Model Funding Order*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking released on December 20, 2016 at ¶9.

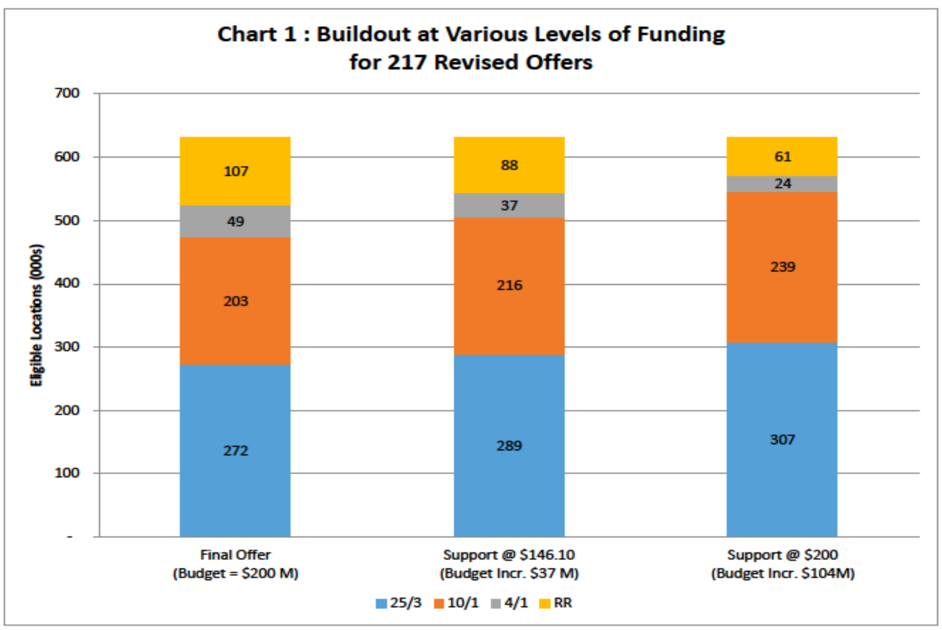
[16] *See* WTA at pp. 7-8.

[17] *See In the Matter of the Connect America Fund, Additional Model Funding Order*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking released on December 20, 2016 at ¶9.

proportional reduction method similar to the one utilized in the Order for allocating additional funding is well-conceived and should be continued.[18]

It is Essential to Understand How Different Levels of Funding Produce Different Buildout Obligations

While commenters supported an increase in A-CAM funding, there was little discussion of what buildout results from budget increases less than "full funding," or what the buildout obligation is at $200 per location. The Nebraska Companies have prepared an analysis of locations at various levels of funding.[19] The chart below illustrates the location "shifts"[20] resulting from various levels of increased funding.



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[18] See Nebraska Companies at p. 16; TDS Telecommunications Corp. at p. 3.

[19] The Nebraska Company analysis is based on companies that elected the final support offers (217 offers in total).

[20] *See* Nebraska Companies at pp. 9-10.

As Chart 1 depicts, even an increase in funding from the amount made available in the final offers to an amount necessary to fund all locations at $146.10 (requiring $37 million in additional funding) achieves 17,000 more locations at 25/3 Mbps and 13,000 more at 10/1 Mbps. Additional substantial deployment increases will occur, 35,000 more locations at 25/3 Mbps and 36,000 more locations at 10/1 Mbps, if support is increased to $200 per location. Further, if the model is funded at $200 per location then there will be 46,000 more locations that will have a defined deployment obligation, as measured by the change in the reasonable request locations. The inescapable conclusion is that any funding increase above final offers will result in specific and quantifiable increases in required broadband deployment, and that funding at $200 per location reaches more consumers in all regions of the nation.

Modifications to RoR Legacy Support Are Being Addressed in The Legacy RoR Further Notice

Various parties advocate that legacy RoR support should be increased along with increasing model support.[21] Possible modifications to legacy support should be addressed in the proceeding that was opened specifically to review permitted expenses, cost allocations and affiliated party transactions.[22] Increasing model support to handle A-CAM oversubscription, and how to do so, are the sole subjects of the instant *Further Notice*.

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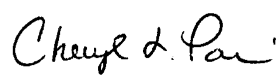
[21] ITTA at pp. 6-7; US Telecom at pp. 3-4; NTCA at pp. 5-10; TCA at pp. 2-4; WTA at pp. 8-11.

[22] *See RoR Reform Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking* released on March 30, 2016.

CONCLUSION

The record accumulated in the *Further Notice* finds strong support for the Commission increasing A-CAM funding for RoR electing companies at up to $200 per location. In the alternative, should the Commission determine an increase in funding at a lesser amount is appropriate, the record also supports continued use of the "proportional reduction" methodology for distributing that support.

Respectfully submitted,



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February 27, 2017